



## **TBL response to Aug. 20 e-mail from ICNU requesting follow-up information to the July 14 PPC response**

- Q1. The McNary-John Day 500-kV project is shown as Plant Funded from Revenues and represents around 16-17% of all capital costs in both '05 and '06. BPA indicates that the project is for generation integration so the question is whether they are expecting revenue from the generators or is revenue funding coming from rates?
- A. BPA expects the McNary-John Day project to be fully funded by generators.
- Q2. We also noticed that the first Main Grid project (Puget Sound Area Additions, Phase 2) shows '05 costs of \$2.1 million with expected energization in '06. I understand that the budget for these items in '02 was over \$32 million and that no dollars were spent in '04. I also understand that the type of work indicated (230/500-kV bank and associated transmission) would exceed the \$2.1 million by a degree of magnitude. So, either the dollars have shifted somewhere or are no longer needed because other solutions have been found or XXX. We'd like to hear what happened and why.
- A. The Puget Sound Area Addition, Phase 2, is for reconductoring of 230- kV lines and a new tap line into SnoKing sub. The current budget reflects this scope of work. The addition of a new 500/230-kV bank at Snoking substation has been completed.
- Q3. Shultz-Wautoma shows up twice on Appendix 1. The first item indicates that it's funded by BPA (I assume this is 3rd party financing) while the other item falls under the Funded by Revenue. I believe BPA indicated their 3rd party financing netted \$108 million so we'd like to know how much of it was spent on the Shultz-Wautoma line and what other projects are being funded by any surplus proceeds.
- A. The total project cost for Schultz-Wautoma was \$175 million. Of the \$175 million, \$108 million was spent on line construction and \$67 million was spent on substation, land and communication equipment. There were no surplus proceeds.
- Q4. NERC Criteria Capital on Appendix 1 is set at \$10-15 million/year. I've heard that BPA has been proactive in challenging a number of their criteria that appear to be overly prescriptive. However, some more specificity as to

what they are planning on doing for the \$10-15 million would be of interest.

A. Since the Aug. 14, 2003, east coast blackout, NERC/WECC is developing stricter criteria. These projects may include line upgrades, shunt cap additions, sectionalizing breaker additions, remedial action schemes and other. This dollar amount reflects those costs.

Q5. I would be intrigued to find out what the cost/employee and the square foot/employee ratios are for the Dittmer Annex relative to other buildings performing this function. I've heard that this was the preferred option over remodel of other, older building(s) so I assume there is some kind of analysis that supports this determination that they can provide.

A. The following is a comparison of the cost and square footage per employee:

|                      | Dittmer Annex       | Van Mall Offices (post FY06) |
|----------------------|---------------------|------------------------------|
| Cost/employee        | *                   | \$6,833.33/employee          |
| Square feet/employee | 204 net square feet | 238.86 net square feet       |
| Total square feet    | 172,452**           | 195,567                      |

\* The space planning is still in the preliminary stages and has yet to be determined.

\*\* Space planning is still in the preliminary stages. The square footage is subject to change.

Q6. The Paul-Troutdale 500-kV starts in '06. The TBL website doesn't list the project so I'd like to hear about it as well as the Revenue funding aspects.

A. Paul-Troutdale is not scheduled to begin until FY06. The project will be discussed more as the project is ready to start. As currently planned, Paul-Troutdale is a generator driven project that will be fully funded by generators.

Q7. Projects Funded in Advance in the PIR documents was \$25 million while Appendix 1 has them at \$20. What changed and why wouldn't the reduction flow through to the bottom line?

A. The number should be \$20 million.

Q8. On the expense side, I noticed on Page 3 that WECC loop flow costs are expected to increase by \$150,000 and \$200,000. It appears that BPA ties these costs somewhat to water year and generation, so could they elaborate as to what they assumed was going to cause the increases?

A. The WECC charge for Unscheduled Flow Mitigation is based on the total cost of equipment throughout the WECC necessary for reducing unintended flow

(loop flow). The total costs are allocated across all WECC members based on formulas maintained by WECC related to load and imports and exports of individual member systems. The WECC request for load data usually comes to us in October with a submission date in November.

- Q9. Cost cut sustainability appears to not include restoration of employee awards and implementation of Grid West. Grid West cost is an obvious concern both real and expected. Continuing to fund or provide for Grid West funding needs to be addressed more clearly by them, i.e. what are the expectations in both '05 and '06 or at least a range.
- A. The Grid West assumption in the current PIR is before a Transmission Operation Agreement (TOA) is signed. If a TOA is signed, the costs for Grid West could range from \$12 to \$16 million. The expectations in both '05 and '06 include a slight increase over historical levels to fund BPA's share of the Structures Group. If BPA decides to accept the Developmental and Operational Bylaws, there would be the seating of the five-member Developmental Board.
- Q10. I'm not sure where to go with the awards program but going from \$600,000 to nearly \$5 million in two years needs some more explanation.
- A. In FY03, BPA made the decision to dramatically reduce the awards program. As a result, TBL's awards program was reduced from approximately \$8.6 million per year down to \$600,000. This awards program is used for recognition of length of service, safe driver and flyer awards, annual employee picnic and individual and group recognition. BPA plans to reinstate adequate funding for the full awards program in FY06. This will once again allow TBL to pay meaningful cash awards, which serve to recognize and encourage employees to accomplish important organizational goals and for meritorious service. There are three types of awards that BPA uses for these purposes. One is tied to BPA-wide targets and is called BPA Success Share. The second is tied to targets set at the business line level and is called Organizational Team Share. As with other companies, these tools are used to align employees' work towards BPA's most important goals, which include financial targets. The third type is for individual cash awards and other related costs of the recognition program such as the modest amounts allocated for recognition celebration events, non-monetary awards such as certificates and plaques and time-off awards. BPA believes, as do many others in the industry, that individual cash awards are important tools to foster individual accountability for producing results that further BPA's mission.